

**MINUTES** of the meeting of the **SURREY LOCAL PENSION BOARD** held at 10.00 am on 13 February 2020 at Members' Conference Room, County Hall, Penrhyn Road, Kingston upon Thames, Surrey, KT1 2DN.

These minutes are subject to confirmation by the Board at its meeting on Friday, 22 May 2020.

**Members:**

(Present = \*)

- \* Paul Bundy  
Mr Graham Ellwood (Vice-Chairman)
- \* Nick Harrison (Chairman)  
Siobhan Kennedy  
Tina Matravers  
David Stewart
- \* Trevor Willington

**1/20 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]**

Apologies were received from David Stewart and Graham Ellwood.

**2/20 MINUTES FROM THE PREVIOUS MEETING: 24 OCTOBER 2019 [Item 2]**

The minutes were agreed as an accurate record of the meeting, provided that the typographical error of 'changes' be corrected to 'charges' on point 3 of item 65/19.

**3/20 DECLARATIONS OF INTEREST [Item 3]**

There were none.

**4/20 QUESTIONS AND PETITIONS [Item 4]**

None received.

**5/20 ACTION TRACKER [Item 5]**

**Witnesses:**

Nick Weaver, Head of Pensions Administration  
John Smith, Pensions Governance and Employer Manager  
Neil Mason, Strategic Finance Manager (Pensions)

**Key points raised during the discussion:**

1. A Member asked for action A38/19 to be marked as ongoing rather than complete as the Board will receive the updated report on compliance with The Pensions Regulator's Code of Practice in May.
2. A Member asked for action A39/19 to be marked as ongoing rather than complete as the consultation had been extended to allow employers more time to comment on the Draft Administration Strategy. He asked that the item be added to the forward plan depending on

when the Board received the information from the consultation responses.

3. The Head of Pensions Administration discussed the completed action A34/19 which was the annex on ITM's analysis of the 'Backlog Healthcheck Report for the Surrey Pension Fund'. He noted the six cases within the frozen refund population which were approaching the five-year deadline for payment under the 2013 Regulations. He had spoken to the Pensions Operations Manager about the risk of a technical breach of law and concluded that as long as refunds were paid into an Escrow account the liability would be discharged.
4. The Pensions Governance and Employer Manager commented that paying grants approaching the two year deadline into Escrow accounts would also avoid breaches of law. Members would be provided with an update on the matter ahead of the statutory deadline.
5. The Strategic Finance Manager (Pensions) noted that he was in consultation with lawyers on whether the Escrow account could be administered in-house by the Orbis Pension Administration team.

**RESOLVED:**

The Board reviewed its action tracker.

**Actions/further information to be provided:**

1. Action A38/19 will be marked as ongoing rather than complete as the update to the Board is due in May.
2. Action A39/19 will be marked as ongoing rather than complete and will be added to the forward plan where appropriate.
3. Members will be provided with an update concerning the six cases within the frozen refund population ahead of the statutory deadline under the 2013 Regulations.

**6/20 FORWARD PLAN [Item 6]**

**Key points raised during the discussion:**

1. A Member welcomed the presentation on cyber security at its last meeting in October and reiterated that he would like the Board to annual update on Cyber Security be added to the forward plan.

**RESOLVED:**

The Board reviewed its forward plan.

**Actions/further information to be provided:**

The Board is to receive an annual update on Cyber Security.

**7/20 SUMMARY OF THE PENSION FUND COMMITTEE MEETING OF 20 DECEMBER 2019 [Item 7]**

**Witnesses:**

Neil Mason, Strategic Finance Manager (Pensions)

Nick Weaver, Head of Pensions Administration  
Anna D'Alessandro, Director - Corporate Finance

**Key points raised in the discussion:**

1. The Chairman noted that risk A22 on the Council's move out of County Hall was graded Red at the last Pension Fund Committee but had since been changed to Amber, recognising that efforts were being made to secure accommodation for the Pensions Administration team at a location close to County Hall.
2. Responding to a Member query, the Strategic Finance Manager (Pensions) explained that moving the administration to a new location did not pose any special logistical risks because it was already ring-fenced from the other elements of Orbis. The Head of Pensions added that it was important to house the Helpdesk and the administration function in the same building in order to facilitate cooperation and maintain a good working relationship.
3. In response to a Member query on the timescale of the move, the Director - Corporate Finance stated that the move was not imminent and explained that there was an options appraisal with Property Services later in the year to further discuss the logistics of the move. Finalisation of which directorates were moving to the new civic heart in Woking and those which would be dispersed around existing sites remained outstanding.
4. The Strategic Finance Manager (Pensions) discussed the review of governance in the LGPS by the Standards and Outcomes Workstream and the Compliance and Improvement Workstream working groups and how the Fund was meeting the recommendations of SAB in order to develop Phase III of the 'Good Governance' report which would go to SAB next month.
5. To increase accountability, the Strategic Finance Manager (Pensions) explained that the 'Good governance in the LGPS' report identified the proposal for each administering authority to have a single named officer - 'the LGPS senior officer' - who was responsible for the delivery of the pension function. That may be a relevant senior officer with good knowledge of the pension function and, even if it was the Section 151 officer, a change to the constitution would be needed.
6. The Strategic Finance Manager (Pensions) positively noted the introduction of the requirement for s151 officers to carry out LGPS relevant training which would ensure a good level of knowledge and understanding to be passed between the Board, SAB and Pension Fund Committee.
7. Discussing the recently approved Council budget, the Strategic Finance Manager (Pensions) emphasised that the Surrey Pension Fund budget was ring-fenced from it. In response, the Chairman noted that it was good practice to separate the employing authority from the administering authority and requested that training for Members of the Board and Fund Committee be run alongside each other.
8. The Strategic Finance Manager (Pensions) provided an update on the 2019 Valuation noting changes from 2016 to the Funding Strategy Statement (FSS), including colleges and higher education institutions which were adversely affected by the decrease in their recovery periods and treated similarly to private companies. He explained that the Pension Fund team were in consultation with the Department for Education on the matter and the affected colleges and admission

bodies, with the change to come into effect on 1 April 2020. In response to Members, the solution was not one size fits all with the affected colleges and admission bodies and the priority was the Fund's wider solvency.

9. Responding to a Member query on the differences in engagement between the Board and Fund Committee, and Border to Coast (BCPP) with their scheme members and employers, the Strategic Finance Manager (Pensions) explained that pooling companies such as BCPP were asset managers and not decision-makers - unlike Members of the Board and Fund Committee which had representation on BCPP joint committee meetings.
10. The Chairman commented that each local authority managed its own strategic decision-making and the Strategic Finance Manager (Pensions) noted that revised guidance on pooling from Government detailed the level of discretion that pension funds retained. The Strategic Finance Manager (Pensions) stated that there were clear benefits for the Fund to pool with the larger resources available within BCPP.
11. A Member queried the McCloud judgement which affected actuarial improvements being returned to employers and the Strategic Finance Manager (Pensions) responded that no remedy had been decided regarding McCloud but given that the older scheme with an accrual rate of 1/60th it was inherently less generous than the new in the 1/49th scheme and only the few members who had significant pay increases would benefit from the underpin. The guarantee of the current underpin expires in 2022, in itself, would not have a material effect on the liabilities - there would be minor additional charges.
12. The Strategic Finance Manager (Pensions) informed the Board that the Pension Fund Committee was reviewing the Fund's own Responsible Investment (RI) Policy to develop its core investment beliefs, balancing good returns and responsible investment - spectrum of capital. The Fund's RI would be assessed in relation to the spectrum of capital and the selected areas within the 17 UN Sustainable Development Goals with progress on the matter to be provided at the next meeting of the Board.
13. In response to a Member, the Strategic Finance Manager (Pensions) noted that the Pension Fund team and Members of the Committee were engaging with the action group Divest Surrey which was affiliated with Extinction Rebellion, to inform them of the Fund's RI approach.
14. The Chairman reported that the draft Administration Strategy had been approved and the Strategic Finance Manager (Pensions) added that the consultation on the strategy with scheme employers had been extended.

#### **RESOLVED:**

The Board noted the content of this report.

#### **Actions/further information to be provided:**

1. That Members of the Board and Fund Committee have future training alongside each other.
2. The Board to receive an update on the Fund's own Responsible Investment (RI) Policy at its next meeting.

**8/20 ADMINISTRATION UPDATE (1 OCTOBER 2019 TO 31 DECEMBER 2019)  
[Item 8]**

**Witnesses:**

Nick Weaver, Head of Pensions Administration  
John Smith, Pension Governance and Employer Manager  
Anna D'Alessandro, Director - Corporate Finance  
Neil Mason, Strategic Finance Manager (Pensions)

**Key points raised in the discussion:**

1. The Head of Pensions Administration emphasised the challenge in addressing the issues realistically by balancing ongoing projects with the changes necessary to ensure good performance. He added that small problems had cumulative impacts on managing the backlog effectively, such as the recent poor audit report which focused on the migration of the integrated payroll system, the need to acquire further modules for Altair in order to make immediate payments and the need to make adjustments if pay increases were greater than expected. Those difficulties were exacerbated because a key employee was on long-term sick leave and the software supplier had been contacted to provide specialist support.
2. Responding to a Member query, the Head of Pensions Administration explained that annual events put pressure on the Pensions Administration team and although there were sufficient resources to manage them, prioritisation of workstreams was crucial.
3. The Head of Pensions Administration noted the error last year concerning pensions increases, in which the letter to scheme members only stated the percentage increase and not the difference between the old and new pension - and the Pensions Helpdesk were not informed of the omission. The Head of Pensions Administration and the Pension Governance and Employer Manager stressed that more collaborative working between the Pensions Helpdesk and Pensions Administration team was essential and officers were seeking assurance for this year's exercise.
4. The Director - Corporate Finance explained that Internal Audit had completed two reviews of Pensions Administration over the last year and were currently formulating a position statement on the service. Progress was being made behind the scenes and a follow-up audit had been scheduled. She noted that areas of concern had been identified which provided clarity going forward. Governance would start to become more joined up with a monthly project board composed of senior officers to monitor actions from Internal Audit reports and the Cabinet Member for Corporate Support and the Executive Director - Resources would be cited on the performance of the Pensions Administration.
5. The Head of Pensions Administration referred to the first annex of the actions tracker on Action A6/18 which presented a series of bar charts illustrating progress against agreed milestones in the service improvement plan for the first four months. He noted that the timescales provided were ambitious such as the procurement of the new system and its implementation later in the year.

6. Responding to a Member, the Pension Governance and Employer Manager commented that the plans would need to be flexible as it would be difficult to obtain a temporary extension from the current supplier, Aquila Heywood. In response to the Chairman, the Head of Pensions Administration explained that the market had become more competitive as a result of the new LGPS pension systems procurement framework which was expected to be implemented shortly.
7. Members questioned whether the Pensions Administration team required additional capacity to administer the large amount of projects in the annex on Action A6/18 and the projected timescales. In response the Head of Pensions Administration explained that empathy with customers was vital and had to be maintained while administrators implement the new system and i-Connect - as pensions concerned sensitive life events.
8. The Pension Governance and Employer Manager identified that recruitment was a challenge across the LGPS and the Strategic Finance Manager (Pensions) and the Head of Pensions Administration responded that the Pensions Administration team were proactively managing and training their employees. In response to a Member query, the Director - Corporate Finance highlighted that the consultant ITM and external supplier JLT provided additional capability to Pensions Administration, but would follow-up the request for Internal Audit to quality assure the governance arrangements as external auditors were doing.
9. Responding to a Member query on whether extra investment was needed, the Head of Pensions Administration noted that the use of money was important, an example was increasing efficiency through the two robots that had been created to process Deferred Benefits and Deferred into Payment quotations.

**RESOLVED:**

The Board noted the content of this report.

**Actions/further information to be provided:**

Internal Audit will quality assure the governance arrangements of the Pensions Administration team.

**9/20 ADMINISTRATION PERFORMANCE REPORT QUARTER 3 [Item 9]**

**Witnesses:**

Nick Weaver, Head of Pensions Administration  
 Anna D'Alessandro, Director - Corporate Finance  
 Neil Mason, Strategic Finance Manager (Pensions)

**Key points raised in the discussion:**

1. The Head of Pensions Administration reported that the strength of integrated modules within the Altair system was good and tightly controlled, but there was a lack of clarity surrounding the Key Performance Indicators (KPI) as the numbers did not add up. The

- KPIs needed to be meaningful and have visibility across the service, prioritising fundamental areas needed to deliver a good service.
2. The Head of Pensions Administration noted that the KPIs must be accurate in order to address the backlog. Other funds had similar issues, such as in Hampshire who as a result decided to focus on the project for a year, and the interdependence within the pensions sphere including the TPR and TPO provided scrutiny. In response to a Member who noted the loss of trust in pension funds, the Head of Pensions Administration shared that concern. He stressed that the KPIs lacked integrity and required greater consistency across key areas to be delivered effectively by the Orbis Pensions Administration team.
  3. The Director - Corporate Finance commended the new Head of Pensions Administration as he brought realism to the role by understanding the logical sequence of events and their timescales. He recognised that the issues were not a quick fix and was establishing a baseline for the service, ensuring that it would be future proofed to address concerns by the Cabinet Member for Corporate Support on the backlog.
  4. In response to the Chairman's concern that the full extent of the backlog surfaced last year despite the issue accumulating over a number of years, the Head of Pensions Administration noted that it was crucial that all relevant parties took responsibility for their own KPIs to address the backlog.
  5. Members sought further clarification on how the Pensions Administration team would ensure business as usual as well as addressing short term priorities such as deaths, retirements, divorces and transfers that affected people's wellbeing. In response, the Head of Pensions Administration explained that targets differed across Orbis' clients, rather than looking retrospectively the Pensions Administration team had a forward plan on their key priority areas and appropriate timescales. For example the tolerable performance for death notifications was at 90% but it should be 100%.
  6. In order to assess the effectiveness of the KPIs, the Strategic Finance Manager (Pensions) reported that the Pension Fund Committee was reviewing the governance of the Pensions Administration team focusing on the Administration Service Improvement Plan II (SIP II) and had given assurance to three key areas: the prioritisation of projects, the deliverability of the timeframes for projects and the ability to adequately contract manage external providers - at present there would be no requests to take on new clients.

**RESOLVED:**

The Board noted the content of the report.

**Actions/further information to be provided:**

None.

**10/20 RISK REGISTERS 2019/20 QUARTER 3 [Item 10]**

**Witnesses:**

Ayaz Malik, Pensions Finance Specialist

Nick Weaver, Head of Pensions Administration

**Key points raised in the discussion:**

1. The Pensions Finance Specialist reported the new risk of the management control of backlog A23, which was currently rated Amber for both the inherent and residual risk. In response, the Board recommended that the inherent risk be changed to Red as ineffective management affected the accuracy of the Key Performance Indicators (KPIs).
2. Discussing risk A1 concerning incorrect data, a Member queried the ability of the Board and Fund Committee to 'interrogate data to ensure accuracy' as they received a summary of the data. In response, the Head of Pensions Administration suggested that interrogate be replaced with 'seek assurance' in the accuracy of analysis by ITM, and other specialist suppliers.

**RESOLVED:**

The Board noted the content of the report and the Fund and Administration Risk Registers.

**Actions/further information to be provided:**

1. Risk A23 - the inherent risk be changed to Red.
2. Risk A1 - the wording 'interrogate' will be replaced with 'seek assurance'.

**11/20 RECENT DEVELOPMENTS IN THE LGPS [Item 11]**

**Witnesses:**

John Smith, Pensions Governance and Employer Manager  
Nick Weaver, Head of Pensions Administration

**Key points raised in the discussion:**

1. The Pensions Governance and Employer Manager highlighted the McCloud judgement and explained that a possible remedy might include an extension of the underpin (LGPC Bulletin 190 - October) - the Board would receive an update on the matter in due course.
2. He also noted that The Pensions Ombudsman (TPO) had upheld a complaint against an administering authority regarding a transfer of LGPS benefits to an occupational pension scheme in which the member was not an 'earner' despite receiving and acknowledging the 'Scorpion' warning leaflet. The TPO instructed the administering authority to reinstate the member's benefits in the LGPS, in line with its new level of due diligence as of February 2013 (LGPC Bulletin 190 - October).
3. The Pensions Governance and Employer Manager noted the LGPS (Amendment) Regulations 2019 which introduced survivor benefits payable under the earlier regulations for opposite-sex civil partnerships, meaning that the male survivor of an opposite-sex civil partnership would be treated the same as a widower in a traditional marriage.

4. The Head of Pensions Administration informed the Board of the burden on pensions administrations to be tax collectors, noting the requirement of administrations to pay members' "scheme pays" pensions annual allowance (AA) tax charges. The Pensions Governance and Employer Manager added that there may be amendments to the tapered annual allowance in the upcoming Government Budget in March, which would be designed to alleviate issues affecting certain high earners such as doctors (LGPC Bulletin 191 - November).

**RESOLVED:**

The Board noted the content of the report.

**Actions/further information to be provided:**

The Board will receive an update on the possible remedy to the McCloud judgement concerning the extension of the underpin.

**12/20 BREACH OF LAW 1 OCTOBER 2019 TO 31 DECEMBER 2019 [Item 12]**

**Witnesses:**

Ayaz Malik, Pensions Finance Specialist  
John Smith, Pensions Governance and Employer Manager

**Key points raised in the discussion:**

1. The Pensions Finance Specialist explained that the breach of law under regulation 64 in which an exit valuation not calculated by the actuary within three months of the termination date of the active member who left the scheme - the employer had not challenged the actuary's late exit valuation.
2. The relevant employer had been informed and there was no reason that they would not pay the cessation amount which was at the lower end of the scale and it did not constitute a material breach due to there not being any significant monetary implications.
3. Responding to the Chairman, the Pensions Finance Specialist noted that the amount was over £600,000 in final payments which was insignificant to the Fund. In response to Members' further queries on what constituted materiality, the Pensions Governance and Employer Manager explained that materiality depended on the quantum of the breach and cumulative effect over time of a number of similar cases in relation to a pension fund.
4. Members requested that further information detailing what constituted materiality be provided, to effectively consider whether the Board would make recommendations on the matter to the Pension Fund Committee.

**RESOLVED:**

The Board noted the content of the report and would consider whether to make recommendations to the Pension Fund Committee based on the further explanations to the Board on what constituted materiality in the action below.

**Actions/further information to be provided:**

The Strategic Finance Manager (Pensions) will circulate formal recommendations from officers detailing their assessment on the materiality of the breach, with the decision to be made by the Board Members present at the meeting.

**13/20 REVIEW OF INTERNAL DISPUTE RESOLUTION CASES IN 2019/20 (QUARTER 3) [Item 13]**

**Key points raised in the discussion:**

1. Members made no comments on the report.

**RESOLVED:**

The Board noted the content of the report.

**Actions/further information to be provided:**

None.

**14/20 DATE OF THE NEXT MEETING [Item 14]**

The next meeting of the Surrey Local Pension Board will be held on 22 May 2020.

Meeting ended at: 12.08 pm

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**Chairman**